

EXHIBIT

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CONFIDENTIAL - SIMON WILSON-TAYLOR
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re: :
: Master File No.
Global Brokerage, Inc. : 1:17-cv-00916-RA
F/k/a FXCM, Inc. :
Securities Litigation :
----- :

REMOTE VIDEO DEPOSITION OF:
SIMON WILSON-TAYLOR
WEDNESDAY, JUNE 2, 2021

REPORTED BY:
SILVIA P. WAGE, CCR, CRR, RPR
JOB NO. 4577008

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2 their services to the types of liquidity that
3 they receive in the market. Even ECNs themselves
4 customize pools of liquidity for individual
5 customers. So customization, the ability to
6 establish very specific trading environments and
7 trading pools for customers is an extremely
8 important part of the function of these firms,
9 yes.

10 Q. I appreciate that. But I don't think
11 that answered my question, which is...

12 Are you aware of any specific
13 liquidity providers who customer myself their
14 services for the needs of a single FX broker?

15 A. You know, I'm not privy to the detail
16 of confidential arrangements that exist within
17 each of the firms. What I can tell you is the
18 same methodology applies to ECNs of which I have
19 managed three and in each case we very much
20 customize our liquidity to the needs of those
21 customers and it's the same process so, yes.

22 Q. But the answer is, no, you're not
23 aware of any specific liquidity providers who
24 customized their services for the needs of a
25 single FX broker?

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2 A. No, because I have not worked for
3 those firms and I'm not aware of the confidential
4 details of how they operate.

5 Q. On same page, Page 13/Paragraph 34,
6 subparagraph b, you say that, "In a no dealing
7 desk model, the broker's profitability generally
8 does not depend on the subsequent price
9 increase."

10 Do you see that?

11 A. I do.

12 Q. Other than the margin risk, which you
13 describe in Footnote 42, are there other examples
14 of when you're aware -- sorry.

15 Are there other examples that you are
16 aware of when a broker's profitability may depend
17 in part on subsequent pricing?

18 A. Not when the broker is acting as an
19 agent in trade, no.

20 Q. Other than the margin risk that you
21 describe in the footnote, are there other
22 examples that you are aware of when a broker
23 using a no dealing desk model is exposed to
24 market risk?

25 A. I'm not -- I can't think of any

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2 that's fine but...

3 Q. Maybe I can restate more
4 specifically. That would be more helpful then.

5 Was there a time or a year within
6 2010 to 2014 -- sorry.

7 Was there a year in that time frame
8 in which you understood that FXCM represented --
9 did not represent most of Effex's business?

10 A. I -- I -- again, I don't recollect
11 the precise numbers. It fell below 50 percent at
12 sometime.

13 Did that occur in 2013, '14 or '15?
14 I don't know, but it occurred.

15 Q. And do you recall what the basis is
16 for your knowledge or recollection of those
17 numbers that you're referring to?

18 A. I don't recall the detail document.
19 But it was somewhere in the materials that there
20 were volume numbers, percentage numbers of
21 business done.

22 Q. Were you aware of any other foreign
23 exchange liquidity providers during the same time
24 period, 2010 to 2014, for whom most of their
25 business came from a single broker?

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2 A. I'm not aware of the specifics. But,
3 again, these were all new firms that were created
4 and they would have had to start somewhere. So
5 they would have started with a single customer.

6 Q. If we move down to the next page,
7 Page 22/Paragraph 57. Do you see that?

8 A. Yep.

9 Q. In that paragraph you say that,
10 liquidity providers make payments for order flow
11 when they recognize that the inherent value of
12 the flow is worth more than the cost of servicing
13 that flow. I'm paraphrasing you.

14 Is that a fair characterization?

15 A. Yeah.

16 Q. So is another way to say that that
17 you mean that a liquidity provider is willing to
18 make payments for order flow when the flow is
19 profitable for the liquidity provider?

20 A. Yeah, I'm not saying that every
21 liquidity provider is willing to make payments
22 for order flow. But what I'm saying is where a
23 payment for order flow arrangement exists, that
24 it clearly needs to be profitable to the
25 liquidity provider in order to be able to make

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2 we talking about?

3 Q. Any type.

4 A. So, in that time frame, there were
5 certainly discussions between banks and brokers
6 around payment for retail order flow. The extent
7 to which they turned into actual payment for
8 order flow arrangements, I'm kind of less clear
9 on, you know. I was involved personally in a
10 handful of discussions in that space and not many
11 of them ended up with a commercial arrangement
12 from a bank liquidity provider to one of these
13 firms.

14 I'm, obviously, not privy to the
15 relationships between nonbank liquidity providers
16 and their customers and whether or not that took
17 place. So I can only rely on my experience as a
18 bank liquidity provider in that time period.

19 Q. In your experience, were you aware of
20 any liquidity providers, bank or nonbank, who did
21 pay for order flow for retail flow in the 2010 to
22 2014 time period?

23 A. Again, it would be speculation on my
24 part. You know, the relationships between those
25 firms were confidential. So it may have

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2 happened. It may not have happened. I can't be
3 certain.

4 Q. So you're not, specifically, aware of
5 any instances in your own personal experience?

6 A. I'm not specifically aware of it, no.
7 Would I have expected it to occur, yes.

8 Q. Still in Paragraph 59, you talk about
9 payments being individually negotiated with each
10 liquidity provider.

11 Did you negotiate with liquidity
12 providers over payments for order flow?

13 A. I did.

14 Q. And was it your personal experience
15 that liquidity providers in these discussions
16 asked for price reductions at that time?

17 A. Very much so, yes. You know, if I go
18 over the chronology, we started in -- I mean,
19 I've been negotiating agreements with banks from,
20 you know, 1999 up until last year when I left the
21 CME. And so, when we started in 1999, we were
22 charging banks -- well, I probably shouldn't be
23 entirely specific on a number, but a significant
24 number somewhere north of \$20 in million.

25 And by the time we got to last year,

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2 Q. Are you aware of any instances where
3 a liquidity provider was paying more than
4 50 percent of its profits in order flow payments
5 on retail flow?

6 A. I have no specific knowledge of that,
7 no.

8 Q. Move to Paragraph 62. You're
9 discussing your time at Molten Markets.

10 What proportion of Molten Markets'
11 liquidity providers paid for order flow, roughly?

12 A. 100 percent.

13 Q. And we may have covered this earlier.

14 But Molten Markets' liquidity
15 providers, was that all in the institutional
16 context?

17 MR. DAHAN: Objection.

18 A. So our legal structure was that we
19 had only institutional relationships, but many of
20 our market takers were retail brokers.

21 Q. Understood.

22 Were order flow payment agreements --
23 focusing on the agreements, I know we talked
24 about payments before -- but were these
25 agreements common throughout the industry in the

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2 in step completely all the time, then, yes, of
3 course, you would expect people to record
4 changes. That would be a natural expectation. I
5 know from my own experience that that doesn't
6 always happen because people make mistakes.

7 Q. So, to hone in a little bit on your
8 experience in particular, when your company
9 received order flow from liquidity providers, did
10 you typically have formal written agreements
11 similar to the services agreement here that set
12 out the payment rates for order flow?

13 A. Yeah, as a matter of policy, we would
14 make sure we had formal written agreements, yes.

15 Q. And did you ever change the rate of
16 the order flow payments that you received from
17 liquidity providers without amending the written
18 agreement that set out the rates?

19 A. So our policy was that we would do
20 that. I can't be certain that we always did
21 record that. You know, my liquidity manager was
22 responsible for those relationships and, you
23 know, he was not always as particular about
24 documentation as I would have been. But I -- he
25 probably got it signed. Did he get it signed

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2 immediately, I don't know.

3 Q. Okay. And, just to clarify record,
4 when you say, "our policy was that we would do
5 that," you mean we would amend the agreement --

6 A. Yes of course, yes.

7 Q. -- is that right?

8 A. I mean, your policy should always be
9 to make sure that the agreements reflect the
10 nature of the relationship.

11 Q. Were there ever instances in which
12 you would not want to amend the agreement to
13 reflect a change in the rate or order flow
14 payments?

15 A. I can't think of one.

16 Q. Going to Paragraph 67 -- and feel
17 free to review that paragraph as needed.

18 Do you know whether FXCM was under
19 investigation by the NFA and/or CFTC in
20 August 2014?

21 A. I don't recall the dates I'm afraid.

22 Q. Do you know if FXCM was under
23 investigation by the NFA and/or CFTC around that
24 time frame in 2014 in general?

25 A. Again, I'm afraid I don't recall the

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2 investigations, certainly, from the material.

3 Q. Do you know whether these
4 investigations played a role in FXCM deciding to
5 terminate the services agreement with Effex in
6 2014?

7 A. I do not know I'm afraid.

8 Q. Do you know of any other FX brokers
9 other than FXCM who were receiving order flow
10 payments from liquidity providers outside the UK
11 but stopped after the FCA's 2014 thematic review?

12 A. I'm not aware of the internal
13 operations of those firms, so I have no personal
14 knowledge, no.

15 Q. At the end of Paragraph 67, which is
16 on the top of the next page, Page 27, you say,
17 "Payments for order flow remain committed in most
18 other major global markets including the US."

19 Do you mean that they are expressly
20 permitted or that they are not expressly
21 prohibited?

22 A. Yeah, that -- I actually don't have a
23 list of markets in which -- you know, the rules
24 relating to each. My understanding is that
25 payment for order flow is an accepted practice in

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2 So I see no way that in this -- you
3 know, in what I've seen in the documents and what
4 I've heard that this would have at any point
5 could have had a negative impact on the end
6 customer.

7 Q. So you talk later in your report
8 about Effex having the ability to win ties on
9 certain currency payors or to have a lower markup
10 applied to it on certain currency payors.

11 Would those -- with winning ties and
12 lower markups and in conjunction with having a
13 realtime feed of the prices being offered by
14 other liquidity providers, would that enable
15 Effex to know exactly what prices it had to offer
16 to win each trade?

17 A. It would have assisted them to know
18 what the benchmark was to beat absolutely, yes.
19 It would have -- they would know what price they
20 had to meet from the rest of the market, which
21 was a significant selection of the market in
22 order to be able to win the trade, yes, that's
23 true.

24 Q. And is it correct that Effex would be
25 incentivized to offer the best price if it wanted

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2 to offer the best price by the smallest margin or
3 next best price, which it could see in realtime,
4 or by no margin if it were winning ties?

5 A. I don't know that that's the way it
6 worked. You know, as far as I can tell from the
7 documents that I've reviewed, FX -- sorry, Effex
8 was making a market, making a price and that was
9 one of a number of liquidity providers making
10 prices and the best price won or the all in price
11 won.

12 You know, if it -- if they indeed
13 were in a situation where they were able to match
14 the best price in order to win the trade, it
15 doesn't in any way affect -- negatively affect
16 the retail customer. They're still getting the
17 best price in the market. It was just that Effex
18 would have chosen to match that best price.

19 Q. But Effex would have no reason to
20 offer a price better than the next best price if
21 it wanted to win a trade except for by the
22 smallest margin or by no margin if it won ties;
23 is that correct?

24 A. It's possible, yeah. I mean, again,
25 I don't see that it's a negative point. You

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2 Q. Anything other than these
3 "operational risks"?

4 A. I don't think I can -- I don't think
5 I can speak to that, you know.

6 Do you want to hire me as a
7 consultant to do a professional risk analysis?
8 I'm sure I can do that. But there are other
9 risks, but I just can't name them.

10 Q. I'll leave that to Israel and --

11 A. Right.

12 Q. Okay. In Paragraph 92, you mention
13 that Effex paid \$21 per million on profits as
14 high as \$35 per million, which I'll represent to
15 you is 60 percent.

16 Are you aware of any other liquidity
17 providers that paid 60 percent more of their
18 trading profits to a broker in order flow
19 payments?

20 A. I'm aware of people paying
21 substantial payment for order flow. I don't have
22 the luxury of knowing what the profitability of
23 that flow was to those firms. So it's difficult
24 for me to answer.

25 Q. So there's no specific examples that

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2 you know of that occur?

3 A. No. But, as I referred to earlier,
4 you know, I've been part of negotiations with
5 liquidity providers where they've shown me their
6 profitability and used it to squeeze me on -- and
7 asked me to reduce my fees. And, you know, for a
8 period of time, it would have been a substantial
9 number. And in some cases, my fee exceeded what
10 they earned, more than a hundred percent.

11 So, yes, the simple answer to your
12 question is, yes, I'm aware it was not
13 sustainable.

14 Q. Okay. If we jump down to Page 36 and
15 Paragraph 96. Let me know when you're there.

16 A. Yes, I'm there.

17 Q. And in Paragraph 96 you opine that
18 FXCM's business relationship with Effex, as you
19 defined it earlier in your report, did not create
20 a conflict of interest between FXCM and its no
21 dealing desk customers.

22 Do you see that?

23 A. It did not create a conflict of
24 interest. Yes, I see that.

25 Q. And you had some examples in the

Deposition Errata Sheet

Caption: *In re Global Brokerage, Inc. f/k/a FXCM, Inc. Securities Litigation*, No. 1:17-cv-00916-RA (S.D.N.Y.)

Deponent: Simon Wilson-Taylor

Deposition Date: 6/2/2021

Page: Line	From	To	Reason for Change
13:22	with me	me with	Typographical error
14:5	“sections	“sections”	Typographical error
14:6	assisted”	assisted	Typographical error
15:4	then agreed	then reviewed and agreed	Typographical error
16:23	we, specifically,	we specifically	Typographical error
17:20	today put	today, put	Typographical error
17:25	as	at	Typographical error
20:14	the	either	Typographical error
20:15	venture and	venture, and	Typographical error
21:13	Puts	Putz	Misspelling
26:10	not	no	Typographical error
28:11	Current X	Currenex	Misspelling
28:19	Current X	Currenex	Misspelling
28:23	Putting	Pulling	Typographical error
29:20	Investors’	Investor’s	Typographical error
29:24	and	and as	Typographical error
30:10	Institution	Institutional	Typographical error
30:15	Risk	Risk Management	Typographical error
31:3	Institution	Institutional	Typographical error
31:19	was sort of	was	Transcription error
31:20	structured	re-structured	Transcription error/clarification
32:8	UBS	EBS	Transcription error
32:9	UBS	EBS	Transcription error
32:11	stay	remain	Transcription error
33:5	sequentially, I’ve	essentially, I’d	Transcription error
39:19	defining by what I mean	defining what I meant	Transcription error
42:19	principally,	principally	Transcription error
43:8	advice	advise	Misspelling
49:11	Euro Money	Euromoney	Misspelling
49:11	pole	poll	Misspelling
50:15	that	there	Transcription error

Page: Line	From	To	Reason for Change
50:17	that	they	Transcription error/clarification
51:19	raise	race	Transcription error
51:24	until that	until about that	Transcription error
53:7	CurrentX. Current X at	Currenex. Currenex at	Misspelling
53:10	CurrentX	Currenex	Misspelling
54:21	nonbank	nonbanks	Transcription error
58:24	it's small	it's a small	Transcription error/clarification
59:6	spreadsheets	spreads	Transcription error
60:12	specific	specifics	Transcription error/clarification
61:7	their bank's	the bank's	Transcription error/clarification
61:12	specific	specifics	Transcription error
63:23	nimble	nimble,	Transcription error
63:24	small initially	small, initially	Transcription error
64:13	customer myself	customize	Transcription error
65:19	in trade	in the trade	Transcription error/clarification
71:11	FIC	FICC	Misspelling
71:22	just is	is	Transcription error
71:25	of liquidly	of the liquidity provider	Transcription error/clarification
80:12	Retail Aggregation	retail aggregation	Transcription error
80:13	Market	market	Transcription error
80:21	out	out how	Transcription error
80:24	of the financial	of the way that financial	Transcription error
81:8	of a history	of the history	Transcription error
81:21	am	have	Transcription error/clarification
82:17	comment	comment on	Transcription error
82:19	operates at	operates	Transcription error
83:10	acquired CurrentX	acquired, Currenex,	Transcription error/misspelling
83:10	focused a	focused on	Transcription error
83:12	CurrentX	Currenex	Misspelling
83:15	CurrentX	Currenex	Misspelling
83:16	provided	provider	Transcription error
83:18	reused	used	Transcription error/clarification

Page: Line	From	To	Reason for Change
83:18	CurrentX	Currenex	Misspelling
83:24	CurrentX	Currenex	Misspelling
83:25	Current X	Currenex	Misspelling
84:4	Current X	Currenex	Misspelling
84:11	Current X	Currenex	Misspelling
84:13	Current X. So, by the time Current X	Currenex. So, by the time Currenex	Misspelling
84:14	it was classified	it classified	Transcription error/clarification
84:16	rules of ineligible	rules of an eligible	Transcription error
84:21	Current X	Currenex	Misspelling
84:23	originated it from	originated from	Transcription error/clarification
85:10	because it's in their view has	because it, in their view, has	Transcription error/clarification
87:24	\$20 in million	\$20 per million	Transcription error
88:5	millions	million	Transcription error
88:16	is	as	Transcription error/clarification
89:10	2000	2009	Clarification
92:25	as	was	Transcription error/clarification
93:12	some are published price list	some have published price lists	Transcription error/clarification
93:12	particularly,	particularly	Transcription error
93:19	variations in	variations on	Transcription error
95:10	specifics	specific	Transcription error
95:23	other MTF	off-MTF	Transcription error
95:24	rules	same rules	Transcription error
96:13	response to	response was to	Transcription error/clarification
96:14-15	US. We had, you know, this regulation	US and we had MiFID regulation	Transcription error/clarification
98:9	everybody in making	everybody, and making	Transcription error/clarification
99:9	CurrentX, Current X	Currenex, Currenex	Misspelling
99:10	play	provider	Transcription error/clarification
99:12	CurrentX's	Currenex's	Misspelling
99:22	of flow	of that flow	Transcription error

Page: Line	From	To	Reason for Change
100:18	services was	services, was	Transcription error
101:22	model	models	Transcription error
103:2	dolls	dollars	Transcription error
103:5	percent of dollars	percent or dollars	Transcription error
103:25	from flow	from the flow	Transcription error
107:12	pbs	pip	Transcription error/misspelling
108:15	them for services	for services	Transcription error/clarification
108:23	somewhat of	somewhat	Transcription error
108:24	explaining	explain	Transcription error
112:18	especially, given	especially given	Transcription error
113:8	especially, for	especially for	Transcription error
114:22	on	to	Transcription error
117:2	I've, certainly, seen	I've certainly seen	Transcription error
119:10	irrelative	the relative	Transcription error
120:10	payors	pairs	Transcription error
120:14	payor	pair	Transcription error
124:17	committed	permitted	Transcription error
125:3	It's simply	There's simply	Transcription error
126:15	graphical	graphical user	Clarification
127:13	question how	question of how	Transcription error
127:14	price points. All the	price points – all the	Transcription error
127:16	payor	pair	Transcription error
128:15	speed. Depending	speed, depending	Transcription error
128:15	connected, there	connected. There	
129:25	way	ways	Transcription error
130:14	at	there are	Transcription error
130:15	of one of	one of which	Transcription error
133:5	money to writing each of those	money writing to each of those feeds	Transcription error/clarification
133:8	simple	single	Clarification
134:17	qualities	categories	Clarification
134:17	call it.	call them.	Transcription error
134:18-20	So they have a bronze, silver and gold price feed. But this they probably have, you know, three or four price	So they have bronze, silver and gold price feed buckets, so they probably have only three or four price feeds, with different pricing.	Transcription error/clarification

Page: Line	From	To	Reason for Change
	feeds, different pricing.		
134:24	Deutsch Bank	Deutsche Bank	Misspelling
135:10	then	than	Misspelling
135:13	as I say, 2010	as I say, in 2010	Transcription error/clarification
136:20	Deutsch Bank	Deutsche Bank	Misspelling
137:22	not a	another	Transcription error
138:21	in the -- you know, whether	as to whether	Clarification
139:9	payors	pairs	Transcription error
139:10	payors	pairs	Transcription error
139:18	beat absolutely,	beat, absolutely,	Transcription error
139:21	market in	market, in	Transcription error
140:10	the all	the best all	Transcription error
142:15	I need	I'd need	Transcription error
142:17	report. But	report, and	Transcription error
142:18	separate	recollecting	Transcription error
144:19	varying customer	arrangements with the customer	Transcription error/clarification
145:21	at	of	Transcription error
145:21	look would	look, would	Transcription error
147:7	price change	foreign exchange	Transcription error
147:8	the	that	Transcription error
147:9	exist	exists	Transcription error
147:19	connection	content	Clarification
147:22	disclosures more than	disclosures than	Clarification
148:11	particularly, running	particularly, with running	Clarification
148:15-16	measure, in fact, increasingly	measure. In fact, I increasingly	Transcription error/clarification
148:16	measuring impact	measuring the impact	Transcription error/clarification
149:7	okay	that occurred	Transcription error
149:25	poorer of quality of	poorer quality	Transcription error
150:7	check	they'll take	Transcription error
150:10-12	market is that they're trying to cover the risk in is -- are out baiting its pricing.	market (that they're trying to cover the risk in) is updating its pricing.	Transcription error

Page: Line	From	To	Reason for Change
150:14	Reuter's	Reuters	Misspelling
150:15	UBS	EBS	Transcription error
150:19	UBS	EBS	Transcription error
152:3	I was	I'm	Transcription error
152:22	personal	person	Transcription error
154:12	aware it	aware. It	Transcription error
156:14	there what	there	Transcription error
156:15	was, but	was. But	Transcription error
158:13	point	flow	Transcription error
158:14	resale	retail	Transcription error
159:14	trades. And – sorry, go ahead.	trades in the environment.	Transcription error
162:2	your	you	Transcription error
162:5	jut	just	Misspelling
162:5	get	got	Transcription error
165:7	along side	alongside	Transcription error
166:3	went into the business	are winning the business	Transcription error
168:20	at whole	as a whole	Transcription error

Witness Signature: _____

Subscribed and sworn to before me this _____ day of _____, 2021.